

The CEO Evaluation: A Unique Approach For A Solely Unique Role

written by

Mike Humphries

Waldron
CEO & President



The annual CEO evaluation presents boards with the opportunity to add impactful value to a singularly unique role in the organizations they govern, the role with the most impact on successful culture, leadership, operating and financial performance.

In spite of this opportunity, many boards miss the chance to help the CEO truly accelerate their performance through assessing a holistic breadth of skills and characteristics that the most successful CEO's exhibit, a unique set of competencies only the CEO among executives must be able to apply. Rather, too many boards continue going through the motions of assessing only how the board alone perceived their CEO performance against financial, growth and operational objectives.



Broadening CEO Evaluation Impact

In an [event Waldron recently held with a panel of involved experts](#), representing the viewpoints of CEOs, CHROs, Board members and experienced independent board consultants, the dialogue strongly affirmed the case for measuring a CEO's full breadth of needed competencies in a unique way for this unique role, unlike most prevailing approaches. Appropriate to the position and its impact, assessing the cultural drivers of character, transparency, integrity, and approachability; considering strategic vision, leading innovation & change; applying critical thinking & decision-making and effective judgment; gauging key stakeholder & board engagement, executive & board-room presence, and authentic & effective team leadership, in addition to measuring financial acumen, stewardship and performance, begins to bring together a usable whole from which the CEO and their board can further develop and drive the enterprise.

Additionally, bringing in a broader set of stakeholder perspectives and input yields a meaningful, impactful, and performance-accelerating set of diverse comparative feedback and conversations, including not only the perspectives of board members, but also of executive team members, other direct reports, important "skip-level" input, and potentially even perspectives of outside stakeholders such as key customers, partners, public officials or regulators.

The reason some CEO evaluations may fall short is that: stellar CEO leadership is a complex stew, difficult to describe unless broken down into its component parts... or assessed CEO competencies. It's much simpler to focus on operational and financial metrics and benchmarks rather than measuring someone's efficacy as a leader, a visionary, and a strategist. Some boards are unsure how to give meaningful, actionable feedback to their CEOs, and many CEOs leave their periodic performance evaluations wondering how to further develop, improve and really move the culture and performance of others in the direction they desire. Regrettably, such evaluation processes are thus more performative than constructive.

It's time to evolve this level of thinking! At Waldron, we believe providing direct, discreet and rigorous feedback to organization-wide leaders is crucial to catalyzing continued growth and success. It goes far beyond regulatory accountability or "best practices", as it bestows upon leaders exponential benefits in understanding how their own attitudes, behaviors, leadership competencies and performance impact on the organization writ large.

In an [article for Harvard Business Review, Stephen P. Kaufman](#) contrasted the intense evaluations he received as a senior executive versus the somewhat perfunctory ones he experienced as a CEO. He summarized this observation by saying, "Although CEOs should have autonomy ... boards have an obligation to shareholders (stakeholders) to ensure that companies are led well, and the sooner they can spot problems with leaders' performance, the better."

We agree and support the application of more sophisticated CEO evaluation processes across industries and sectors, aligned to the organizations' unique culture preferences, leadership performance and competitive requirements. If you're wondering how to evolve your CEO feedback systems, read on for some broad expert input and easily implementable best practices.

At Waldron, we believe providing direct, discreet and rigorous feedback to organization-wide leaders is crucial to catalyzing continued growth and success.



No Surprises, Please

A more holistic evaluation process is preferable, one that encompasses the full spectrum of presence, leadership example, strategic and decision activities, operating strengths, interpersonal traits, and motivates the followership that all accrue to a CEO's positive impact and organizational performance achievement. As time-tested practitioners of these review processes, we have been meticulously refining and customizing the CEO assessment process over several years. The best evaluation practices follow a logical flow and employ an inclusive approach that catalyzes perspectives and productive conversations. It offers nuanced and discreet feedback, providing the learning and development CEOs need to act credibly and decisively, forward culture, drive innovation, change and performance results. Thus, Waldron doesn't apply off-the-shelf templates or speed through "cookie-cutter"-like evaluations; we involve representative perspective from all stakeholder groups to apply tailored, targeted "bespoke" processes within a proven framework and timeline.

We've found that what works best is to involve and gain input from all key stakeholder voices in an organization along with those of the CEO and board, developing a truly effective set of evaluation criteria. Stakeholders need to be highly aligned, and the CEO must agree in advance with the criteria against which they're being measured. That inclusion and buy-in is absolutely critical for successfully landing the measurement feedback with credibility, acceptance and positive future impact.

Raquel Karls, Senior Vice President of Human Resources for REI, has experienced an evaluation process that did not involve the CEO in developing criteria and said it was quite counterproductive.

"This company was coming off of a review where the CEO was not as involved in each step. I saw the aftermath and recovery. The amount of energy it took to get that CEO to agree to another evaluation process was challenging. And I don't blame them."

Karls adds you do not want your CEO caught off-guard by any colleagues' feedback and, potentially, (have) trust broken. She emphasized that evaluating a leader shouldn't be about surprises; it should be a collaborative mechanism for everyone involved and set them up for success.

Evaluating a leader shouldn't be about surprises; it should be a collaborative mechanism for everyone involved and set them up for success.

“As a CEO at the receiving end of the evaluation, I know I’m not getting any personal grudges, and the evaluation comes as an objective conclusion of the process.”

Alejandro Grajal, President and CEO of the Woodland Park Zoo, and formerly at the National Audubon Society and Chicago’s Brookfield Zoo, adds that hiring an external partner for evaluations can ease many interpersonal and political tensions.

“To create that trust and inclusion, we make it clear to everybody participating that the evaluation will be administered by a third-party,” he says. “I think that has been critical on both ends. As a CEO at the receiving end of the evaluation, I know I’m not getting any personal grudges, and the evaluation comes as an objective conclusion of the process. The other participants know that it’s going to be filtered through outside experts. That kind of triangulation has been critical.”

Look Beyond the Numbers

Since fiscal performance is a reliable factual yardstick, many organizations default to it in their CEO evaluation efforts. *Corporate Governance* published [results from a study monitoring CEO performance, revealing that revenue \(and profitability goals\) remain the primary criteria across \(private sector\) industries.](#)

“Although there are a growing number of companies using non-financial metrics, results confirm that CEOs are primarily evaluated on financial criteria, indicating a narrow definition of corporate performance,” wrote professors Marc J. Epstein and Marie-Josée Roy. “Few attempts are made to ascertain and disclose the appropriateness of the performance measures and to demonstrate how these measures are consistent with the company’s vision, mission, and strategies for long-term performance success.”

The vast majority of CEO assessments focus heavily on achieving the organization’s operating and financial objectives, with little or no feedback on leadership efficacy. To give the CEO a more holistic view of how their leadership is resonating and how it impacts the organization, CEOs need input on how they perform across various and specific, proven CEO competencies.



Waldron employs a rigorous, though efficient and time-managed, CEO-specific, competency-driven process that also incorporates the operating metrics. Each assessment evaluates leaders inclusively and more thoroughly, offering them clear feedback and a path to contemplation, planned and measured development and long-term performance enhancement. A selection of CEO competency areas Waldron examines include:

- Board Relations & Engagement
- Character, Ethics, and Integrity
- Building, Developing and Retaining Talent
- Communication Effectiveness
- Effective Judgment, Critical Thinking & Decision-Making
- Innovation, Change Orientation & Leadership
- Inspirational & Authentic People Leadership
- Strategic Vision, Perspective & Strategy Implementation
- Operating Excellence
- Financial Acumen & Performance
- Financial Stewardship

Waldron has benchmarked and honed this formula, these and other areas of competency carefully to ensure CEO evaluation is not only comprehensive, but also time efficient and productive. Our approach provides the nuance around CEO performance that enables all stakeholders to have robust and beneficial insight, input and forward-looking, accretive conversations.

Evaluation As A Year-Round Endeavor

Nancy Pellegrino, Founder of Pellegrino Advisory Services, former financial services industry senior executive, chair and committee chair on multiple boards has been involved in dozens of CEO evaluations throughout her career. She points out that, although trust and transparency are imperative in all cases, they become doubly important when the CEO evaluated is facing performance challenges. She suggested that an effective way to avoid having one big, tense, and stressful conversation with a CEO is to ensure the evaluation process directly ties to the overall cultural and strategic context.

“Every organization goes through a strategic planning process, and that should be tied part and parcel to the CEO evaluation,” she says. “Performance should be measured

and discussed all through the year, allowing you to look back to the strategic plan and tie in the objectives that are built into the plan.”

Pellegrino explains this allows the board, HR, and the C-suite to course-correct along with the CEO as needed. It’s a great way to ensure the final evaluation process is transparent and meaningful.

The majority of CEO evaluations Waldron has facilitated involve established, healthy teams. There’s typically strong alignment between the CEO and Chair, and relationships with the senior management team are usually positive, open and stable. The CEO typically has a strong internal brand within the culture. In these cases, we introduce a new, more nuanced process, expanding areas on which the CEO is being evaluated, pushing more in-depth exploration of competencies such as those above, and ultimately providing valuable nuance on which a high-performing CEO can continue to build their and the organization’s success.

However, we have also performed many CEO evaluations over the years where trust has been lost or greatly diminished between the leader and their board and/or executive team members. In some cases, trust between the CEO and board is significantly broken. In these circumstances—as in all executive assessment/evaluations—we recognize that we’re facilitating a very high-stakes process. Here, a career may be on the line. An organization’s most strategic and impactful individual, CEO success or failure can have short- and long-term impacts on overall performance and value. Discussing weaknesses, communication challenges, lack of leadership resonance, or missed targets is never easy. When the person is an organization’s strategic head, primary personnel motivator, and cultural leader, it becomes even trickier.

From a human capital standpoint, there is almost nothing more high-stakes than this effort. So, restoring trust is essential if it’s not there. And retaining trust is essential once it’s already built. Often, boards benefit greatly by bringing in a credible, independent outside party to manage an inclusive, transparent and highly-developed process to navigate significant organizational dissonance; this leads to the right conversations in a discreet and respectful manner.

Does a Pandemic or Other Crisis Change Everything?

While linking a CEO’s evaluation criteria to organizational goals is an approach that many experts endorse, a crisis such as the COVID-19 pandemic can virtually obliterate many companies’ strategic plans. Can boards, committee members, EMT and CHROs reasonably be expected to plow ahead?

“What’s so valuable about this process is that it measures the CEO through other levers beside the financial metrics,” Karls says. “It force-fits the What and the How in relation to the question of ‘CEO performance in this time of crisis.’ There’s never been a more important How when it comes to CEO performance. Because the How delivered the What in a year like 2020.”

Pellegrino agrees, adding that the “How” is both newly defined and deeply weighted.

Although trust and transparency are imperative in all cases, they become doubly important when the CEO evaluated is facing performance challenges.

“What’s so valuable about this process is that it measures the CEO through other levers beside the financial metrics.”

In 2020 it encompassed how a CEO rallied employees on the front line, how they worked face-to-face with clients during a pandemic, and how they dealt with employee situations where people are at home taking care of their kids while working remotely.

Grajal adds a CEO’s perspective, explaining how in January of 2020, the nonprofit, Seattle’s Woodland Park Zoo was planning to launch a new capital campaign ... but by mid-March, they’d scrapped it and pivoted in a different direction, with park attendance cut off and then dramatically diminished. He said there were so many times when he’d send out a mandate in the morning, and by the afternoon, he’d have to retract and issue completely new instructions. This level of agility exhibited by Grajal and his team was critical in navigating the organization through these most difficult times, able to emerge stronger than many other non-profits.

Grajal predicted the most common comment on his forthcoming CEO review would be ‘Alejandro shifted positions all the time.’ While he’s torn about such feedback, he also knows that it reflects his people’s authentic frustrations throughout a challenging year. As a responsive leader, he’s likely to take their input and use it to devise better ways to communicate and collaborate with his teams.

Commit to a Rewarding Evaluation

Revamping your current CEO evaluation process may feel like a daunting task, but if it isn’t comprehensive and actionable, what purpose is it serving and what value toward a brighter future does it contribute? If your leader ends up with vague, non-actionable comments or feedback that center entirely on operational goals, will that leader be moved to further develop, change or improve?

This process is all about helping the CEO be as effective in leading the organization as possible. That means giving them current, valuable feedback that helps them as they navigate the full extent of their role and the organization’s success. It means reflecting on how the CEO is showing up, how they’re leading, and resonating within the organization and among its stakeholders, as well as how aligned they are with the culture that they’re trying to impact and move forward.

Without an opportunity to reflect and adjust, one cannot expect improvement, including in organizational leaders. If you can measure it, you can move it, as they say. CEOs need and deserve honest, regular and unique-to-role, holistic evaluations so they can lead their organizations to the absolute best of their abilities. Providing actionable feedback and performance support is key to setting them up for real and lasting success..

About Waldron Effective Organizations Services

Waldron's tailored coaching and consulting services are designed to build strong leaders and agile organizational cultures.

Lasting Transformation is Our Goal.

Whether a small shift in the way our clients work or a total disruption of the business model, we assist clients in driving greater results at the individual, team, and organizational levels. We are committed to providing truthful insights delivered discreetly, in a clear and concise manner. Our highly tailored engagements move individuals and organizations to achieve desired results and outcomes.

Contact us to learn about Waldron's approach to helping clients "learn by doing", using actual present challenges and opportunities to develop new ways of working, leading, and collaborating. This approach ensures our solutions make effective and efficient use of resources and equips clients to continue success after our engagement ends.

ABOUT THE AUTHOR:



Mike Humphries is President & CEO of Waldron, a Seattle-headquartered, multi-market Leadership Development, Board Governance Consulting and Career Management Firm. Waldron is the partner strategic leaders choose when their brands are on the line. The Firm helps attract, engage, inspire, support and develop effective leaders and Boards. Mike actively coaches select senior executives, counsels and facilitates boards on governance effectiveness, succession, board and CEO performance. Pursuant to Waldron's Social Good mission and B-Corp impact, Mike actively supports many organizations with missions aligned with social justice, housing, health, poverty alleviation, development, conservation, the environment, and education.



ABOUT WALDRON

Waldron believes in empowering organizations and individuals to realize their full potential.

For over 35 years, Waldron has helped high performing executives and organizations lead the process of change, individual and organization transformation, giving Waldron specialized insight into the complexity involved in adapting to rapidly changing business environments. Viewed as a trusted advisor, we partner deeply with our clients. We are committed to providing truthful insights delivered discreetly, in a clear and concise manner. Our highly tailored engagements move individuals and organizations to achieve desired results and outcomes.

Waldron is an equity owner of Career Partners International (CPI). It is through the Waldron CPI group and its 360 offices worldwide that we are able to serve our multi-region and multi-national clients with-consistently-delivered, differentiated and highly personalized support services for client organizations' career transition/outplacement, executive coaching and leadership development needs.

HEADQUARTERS:

Seattle, WA

(206) 441-4144

801 2nd Avenue
Suite 100
Seattle, WA 98104